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Market Update: Ignore the Bitter, Focus on the Sweet

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Economic Checkup: Still Healthy

While Silicon Valley Bank (SVB) may have dominated headlines this week, there were a couple of major economic data releases that were almost overlooked! If you are interested in more information on the SVB situation, please refer to our Special Market Update published earlier in the week. But in this update, as always, let's focus on the data:

1. **The Jobs Report Hit the 'Sweet Spot.'** The U.S. Labor Department reported that non-farm payrolls rose by 311,000 in February, beating expectations. This is a sign of a continuing healthy labor market and economic resiliency. Normally, this would have ignited some renewed inflation fears, but there were a couple of disinflationary signals in the report. First, unemployment rose to 3.6%, slightly above expectations. Second, wage growth climbed at 4.6%, below expectations and the third straight slowdown in month-over-month growth.

This report hit the sweet spot, indicating a best-of-both-worlds situation with a healthy economy and reduced inflation pressures—ultimately supportive of a milder economic downturn, as opposed to something more severe.

2. **Inflation Continued to Drop.** The U.S. Labor Department had another bit of good news. The Consumer Price Index (CPI), a primary measure of inflation, grew at an annual rate of 6%, marking the eighth consecutive monthly drop in the growth rate. Investors welcomed the data with open arms and a market rebound.

With continued inflation drops, the Federal Reserve (Fed) inches closer to the end of their interest rate hike cycle. The expectations for only a 0.25% hike at the next meeting (as opposed to 0.50%) increased after the CPI data release, which should be supportive for both the stock market and economy.

Watch What You Watch

The main event to watch this past weekend was of course, the Oscars! I absolutely loved "Everything Everywhere All at Once" and was happy to see it sweep so many categories. I will admit, I teared up when I saw Indiana Jones and Short Round reunited on stage for the Best Picture award.

I hope that Everyone Everywhere enjoyed the Oscars. Unfortunately, though, I think most investors were glued to the news about SVB and Signature Bank closures. The sensationalized coverage of these events created extreme volatility that shook markets. Emotion, fear, group think and other tendencies that lead to irrational investment behavior were exhibited. Like usual, I'm going back to the Warren Buffett quotebook:

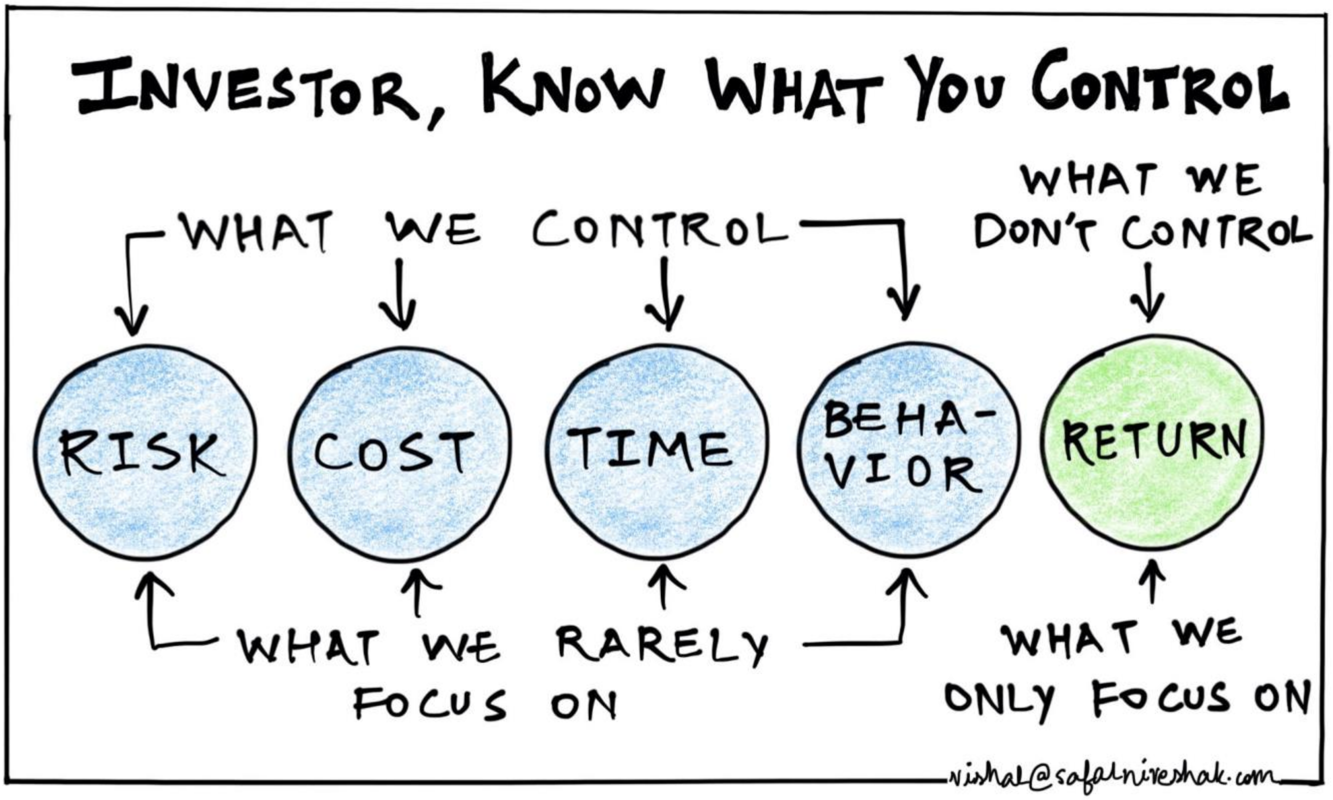
"Be fearful when others are greedy, and greedy when others are fearful."

If everyone around you is in a state of panic, it's not easy to stay calm. These are the times where an advisor's value really shows its worth. According to Vanguard's Advisor's Alpha® Perspectives, "Putting a value on your value: Quantifying Vanguard Advisor's Alpha®," advisors often add the most value to their clients through "behavioral coaching." And one of the best ways to avoid bad investment decisions is to focus on what you control (and turn off the TV!):

1. **Investors Control Many Things.** You control how much money you save and spend, the types of investments you select (high risk/low risk) and believe it or not, your emotions. But we tend to rarely focus on these things.

2. **Investors Focus on One Thing.** Investors instead tend to spend most time focused on market returns. Returns are certainly important in the long run but are completely out of our control.

3. **Focus on What You Can Control.** Daily stock prices and market fluctuations are not under anyone's control and are not of significant importance to long-term investment goals. Investing is a long-term endeavor, and over the long term, the things that you can control are of much higher importance to investment success.



Source: Safal Niveshak, "What We Control, and What We Don't"

As always, Dynamic recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

Should you need help navigating client concerns, don't hesitate to reach out to Dynamic's Investment Management team at (877) 257-3840, ext. 4 or investmentmanagement@dynamicadvisorsolutions.com.

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